



COUNTY ADMINISTRATOR'S OFFICE

PIMA COUNTY GOVERNMENTAL CENTER
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C.H. HUCKELBERRY
County Administrator

August 5, 2014

Colonel Kimberly Colloton
Commander and District Engineer, Los Angeles District
US Army Corps of Engineers
P. O. Box 532711
Los Angeles, California 90053-2325

Re: Email Communication from Ms. Marjorie Blaine Regarding Rosemont Mine and In-Lieu Fee Project for Pantano Dam

Dear Colonel Colloton:

I received the attached August 1, 2014 email from your staff. The email asks for Pima County's position and intent on what I would assume is the In-Lieu Fee (ILF) project for Pantano Dam.

First, there is no ILF project for the Pantano Dam. The County's position regarding this subject was made clear in my December 30, 2013 letter.

We have had some written communication with Rosemont, and now Hudbay, regarding their mining proposal in the Cienega Basin. As you know, the County opposes this mining proposal. We are very concerned about the lack of federal or state agency protection of our 35-year and \$64 million investment in preserving the aquatic resources within the Cienega Basin. The present draft Final Environmental Impact Statement fails to address our concern.

In my last meeting with both Rosemont and Hudbay, I stressed the importance of their compliance with our Conservation Land System (CLS), which is a local ecosystem mitigation standard that was first ignored by Rosemont. Now, they have at least made a verbal commitment through their successor, Hudbay, to substantially comply with the CLS. I also stressed the importance of protecting our conservation investments within the

Colonel Kimberly Colloton

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Cienega Basin. It appears our concerns regarding surface water interceptions and stormwater diversions, which will threaten natural surface water flows in Cienega Creek and Davidson Canyon, have been largely ignored by federal and state regulatory agencies.

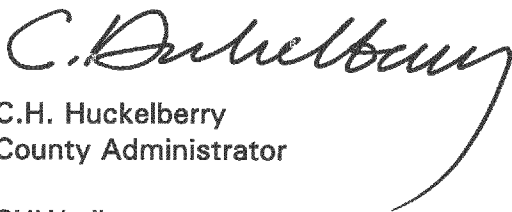
I have reread my letters to Rosemont dated April 30 and June 2, 2014. There is not a single mention of a Pantano ILF project in those letters. I recently directed my staff to perform a risk assessment regarding the threatened water and aquatic resources of the Cienega Basin. Such a risk assessment must be completed before we discuss with anyone how to best protect and prolong the integrity of these resources.

I clearly understand the County cannot negotiate with a permittee regarding ILF mitigation, as this is the exclusive domain of the US Army Corps of Engineers, and such is best left to the applicant and the Corps. I am, however, very concerned the Corps is considering mitigation credits for the Sonoita Creek Ranch, a Rosemont-proposed property outside the Cienega Basin that will not offset the losses of aquatic resource functions and values in the Cienega Basin. Once again, the extremely rare and fragile aquatic ecosystem of the Cienega Basin is not receiving appropriate consideration if credits or partial credits for out-of-basin mitigation are allowed.

In summary, we cannot control what the project proponents write or say; however, we will discuss with anyone how best to protect the aquatic resources of the Cienega Basin.

I hope this resolves any concerns expressed by your staff regarding this matter. We would also suggest improved communication by all parties regarding these matters.

Sincerely,



C.H. Huckelberry
County Administrator

CHH/mjk

Attachment

c: The Honorable Sharon Bronson, Chair, Pima County Board of Supervisors
Marjorie Blaine, Senior Project Manager/Biologist, US Army Corps of Engineers,
Tucson Project Office, Regulatory Division

Maura Kwiatkowski

From: Blaine, Marjorie E SPL <Marjorie.E.Blaine@usace.army.mil>
Sent: Friday, August 01, 2014 9:53 AM
To: Chuck Huckelberry
Cc: Suzanne Shields; cmcvie@tucsonaudubon.org; Paul Green; Chris Cawein
Subject: FW: [EXTERNAL] Hudbay Introduction & Rosemont HMMP (UNCLASSIFIED)
Attachments: Letter to Col Colloton from PM - 31Jul2014.pdf

Classification: UNCLASSIFIED

Caveats: NONE

Chuck

I thought you might find it interesting to know that Rosemont is still insisting you are working with them on an ILF for Pantano Dam. I find it very confusing that you deny this; however, they are getting it from somewhere. Perhaps you can shed some light on this.

It is very inappropriate for the County to be having direct discussions with any applicant regarding development of an ILF. While the Corps respects your rights to meet with any party regarding County mitigation, discussions of Section 404 mitigation between the County and an applicant should not be occurring unless the Corps initiates those discussions.

We would appreciate your clarification of the County's position and intent.

Marjorie Blaine
Senior Project Manager/Biologist
U.S. Army Corps of Engineers
Tucson Project Office, Regulatory Division
5205 E. Comanche Street
Tucson, AZ 85707
(520) 584-1684 (phone)
(520) 584-1690 (fax)

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You are invited to complete our customer survey, located at the following link:

http://corpsmapu.usace.army.mil/cm_apex/f?p=regulatory_survey

-----Original Message-----

From: Rachel Abbott [mailto:rachel.abbott@hudbayminerals.com]
Sent: Thursday, July 31, 2014 9:50 AM
To: Colloton, Kimberly M COL SPL
Cc: Blaine, Marjorie E SPL; Diebolt, Sallie SPL; Castanon, David J SPL; Patrick Merrin; Kathy Arnold; Linda Wrong
Subject: [EXTERNAL] Hudbay Introduction & Rosemont HMMP

Dear Colonel Colloton,

Please find attached a letter from Pat Merrin, the newly appointed V.P. of the Arizona Business Unit who will oversee the Rosemont project for Hudbay Minerals. The letter will also be sent by mail today. Thank you.

Best regards,

--

Rachel Abbott
Executive Assistant
Asistente Ejecutiva

Hudbay
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Classification: UNCLASSIFIED
Caveats: NONE



July 31, 2014

U.S. Army Corps of Engineers
Los Angeles District
P.O. Box 532711
Los Angeles, CA 90053-2325

Attn: Colonel Colloton

Dear Colonel Colloton:

Our transition team met with Marjorie Blaine of your staff on July 23rd to introduce her to HudBay Minerals, Inc. (Hudbay). As you may know, Hudbay and Augusta Resource Corporation (Augusta), the parent company of Rosemont Copper Company (Rosemont), announced an agreement on June 23rd under which Hudbay has acquired Augusta. With this acquisition, we are now engaged in moving ahead with Rosemont's pending Section 404 permit application for the Rosemont Copper Project (Project). The purpose of this letter is to introduce myself to you and to offer a path forward for resolving your concerns related to the adequacy of compensatory mitigation for the Project.

As detailed below, we are planning to submit a revised mitigation plan by October 31. We have confirmed with the Forest Service that their decision-making process can accommodate this schedule and we hope that the Corps' schedule can as well. I would also like to meet with you to introduce our management team, discuss our pending application, and hear your concerns directly.

Introduction to Hudbay

Hudbay is a Canadian integrated mining company with assets in North and South America principally focused on the discovery, production and marketing of base and precious metals. Hudbay and its subsidiaries explore for, mine and produce metals in an environmentally responsible manner, while maintaining a safe and healthy workplace. To fulfill this commitment, we are actively engaged in a number of practices including meeting applicable legal and regulatory safety, health and environmental requirements, policies and codes of practice; developing and maintaining a culture of environmental responsibility; and using sustainable practices that avoid adverse effects on the environment of the communities in which we operate; and providing adequate resources for safety, health and environmental programs.

Hudbay has extensive experience in development of new mining projects such as Rosemont, and will bring a depth of technical and financial resources to bear on securing approval of the Mine Plan of Operations (MPO) and the Section 404 permit for this project, including identifying and implementing required mitigation. Prior to 2014, our team developed 28 mines in the Flin Flon Greenstone belt. We currently have three properties, including Rosemont that are under development. We also have a progressive program of on-going rehabilitation at our facilities near Flin Flon and have reclaimed several

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sites that we inherited as legacy properties. Rosemont's plan of designing for closure fits the Hudbay model perfectly, as our current processes have been developed through Hudbay's long-term experience to manage potential impacts early and to incorporate environmental and social considerations into mine design so as to achieve the best opportunities for successful site rehabilitation.

Supplemental Mitigation Efforts

Given the indication in your letter of May 13, 2014 that Rosemont's proposed HMMP would not fully compensate for the unavoidable adverse impacts of the Project, Rosemont has been developing supplemental mitigation efforts to incorporate into the HMMP that would address your concerns. While we understand your direction to staff to move ahead with a permit decision, we understand that this timing has been driven in part by the needs of the Forest Service. On July 29, 2014, we met with the Forest Service and were notified that their schedule for Section 7 consultation will be extended for a short period while they complete a review of existing data. They also confirmed this schedule would allow us to develop additional mitigation efforts and to incorporate those into a revised HMMP.

We are planning to include two additional components in the HMMP: First, Rosemont has taken the Corps staff direction on the restoration efforts on Sonoita Creek Ranch (SCR) and extended those concepts up and downstream of the existing proposal. The work on this effort is complete and could be shared with the Corps by the middle of August; Second, Rosemont has had a number of discussions with Pima County regarding the possibility of reviving the Pantano Dam In Lieu Fee (ILF) project. After reviewing this possibility, Hudbay believes the use of the Pantano Dam water rights to restore and enhance the floodplain below the Dam is an opportunity for not only the County but also the community in general. These water rights, and the potential to use them for restoration of the channel and floodplain within the existing Cienega Creek Nature Preserve, has been a priority of the County for some time and presents a unique opportunity to devote a perennial surface water source – exceedingly rare in the region – to natural habitat restoration. (As you'll recall, this water is currently used for golf course irrigation.) We understand, at one point, the Corps anticipated that this project alone could meet all of the mitigation requirements of the Rosemont Project, so the compensatory mitigation opportunities here are significant. Given the importance of this mitigation opportunity to the region, we plan on spending the next few weeks working on the logistics of the water rights transfers with Pima County so they can finish the plans for the ILF and present them to the Corps. In recent meetings, we have received encouragement from Pima County to correspond directly with their staff to re-boot and facilitate this ILF process.

Schedule

While we can be ready to submit the revised SCR portion of the HMMP by mid-August, our preference would be to submit a comprehensive HMMP incorporating the current proposal and additional mitigation efforts discussed above. This will provide for the most efficient review of the proposal by your staff. If we set as a goal having agreement with Pima County regarding the water rights by September, then we believe we can have a final HMMP submitted by the middle of October. Your project manager recently suggested a deadline of August 14 by which to submit these materials. While we can meet that deadline with respect to the SCR portion of the submittal, we would like additional time to coordinate the Pantano Dam component. Given the importance of Pantano Dam, and the benefits this mitigation will provide, we believe that taking this extra time will result in a more complete package for Corps review, and one we trust will meet your concerns.

Request for a Meeting

Given the foregoing, and the transition of this project to Huidbay, we are requesting a meeting with you, both for introducing you to the Huidbay team and for the purposes of discussing mitigation efforts and opportunities. This would also present an opportunity for us to hear your concerns first hand. We appreciate your consideration of this request and look forward to hearing from you.

Sincerely,

A handwritten signature in black ink, appearing to be 'Patrick Merrin', written over a faint circular stamp or watermark.

Patrick Merrin
Vice-President, Arizona Business Unit

Doc. No. 034/14-15.10.5